

Final

NATIONAL ENERGY BOARD

**Testing of
Time Information Management (TIME) system
for
2002 - 03**

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EXECUTIVE SUMMARY

By letter dated July 9, 2004 the Office of the Auditor General (OAG) requested the assistance of Audit & Evaluation (A&E) staff to audit the Board's time reporting systems for 2002-03. The objective of this audit was:

To obtain sufficient appropriate evidence, that hours charged in 2002-03 to the commodities were reasonable and complete, as supported by approved time records (authorized, recorded, accumulated properly, proper amount, proper period).

From April to June 2002, the Board continued to use Time Reporting Interim Procedures (TRIP), a series of Excel spreadsheets, to record and analyze employee time. In late June 2002, the NEB implemented Time Information Management (TIME), a new time management information system that employed web browser technology and was built on the Microsoft .NET platform. Data recorded in TRIP for the first two and a half months of 2002-03 were imported into TIME.

To respond to the request of the OAG in part, TRM Technologies Inc. (TRM) was retained to conduct a systems audit of TIME. TRM examined the processing controls underlying TIME including those designed to provide continuous service, systems security, configuration management, problems and incidents management, data management and change management. Risk management processes were examined also. TRM concluded that TIME is an effective time management and reporting tool and that TIME contains adequate and reasonable processing controls. Nevertheless, tardiness on the part of certain individuals in reporting time remained an issue.

In light of the findings of TRM, a sample of 53 weekly time sheets was examined. Except for two instances where the original TRIP timesheets were misplaced, all of the time records were properly authorized, recorded, accumulated in the correct amount and time period.

As well, the hours charged in 2002-03 to the commodities were analyzed for reasonableness. It was determined that banked time and compensatory time off were double counted in the Commodity and other reports. These errors and other minor errors were brought to the attention of the system administrator and corrected.

Based on these audit results, we concluded that, the hours recorded in TIME for 2002-03 and charged to the commodities were reasonable and complete for cost recovery purposes. In our opinion, having conducted a systems audit of TIME, tests of a sample of time records for 2002-03 and a reasonableness analysis of employee time recorded in 2002-03, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the conclusion reached.

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I. INTRODUCTION

Pursuant to *National Energy Board Cost Recovery Regulations*, regulated companies pay cost recovery charges to the Board. Recoverable expenditures incurred by the Board are reported on a calendar year basis in the Board's Statement of Operations and Surplus (Statement). The Office of the Auditor General (OAG) audits the Statement annually. As part of this annual audit, the OAG requests the assistance of the Audit & Evaluation (A&E) unit in examining the time records of the Board. By letter dated July 9, 2004, the OAG asked that A&E staff examine the time records of the NEB for 2002-03. The result of this examination is to be incorporated in OAG's audit of the Statement for the year ended December 31, 2004.

From April to June 2002, the Board continued to use Time Reporting Interim Procedures (TRIP), a series of Excel spreadsheets, to record and analyze employee time. In late June 2002, the NEB implemented Time Information Management (TIME), a new time management information system that employed web browser technology and was built on the Microsoft .NET platform. Data recorded in TRIP for the first two and a half months of 2002-03 were imported into TIME.

II. AUDIT OBJECTIVE

In its July 9, 2004 letter, the OAG identified as the objective for this examination of time records for 2002-03 the following:

To obtain sufficient appropriate evidence, that hours charged in 2002-03 to the commodities were reasonable and complete, as supported by approved time records (authorized, recorded, accumulated properly, proper amount, proper period).

III. AUDIT PROCEDURES

To respond to the request of the OAG in part, TRM Technologies Inc. was retained to conduct a systems audit of TIME. TRM examined the processing controls underlying TIME including those designed to provide continuous service, systems security, configuration management, problems and incidents management, data management and change management. Risk management processes were examined also. TRM concluded that TIME is an effective time management and reporting tool and that TIME contains adequate and reasonable processing controls. Nevertheless, tardiness on the part of certain individuals in reporting time continued to be an issue¹. Key internal controls for TIME are described in the TRM report.

A. Limited Testing of Time Records for 2002-03

In light of the findings of TRM, A&E staff conducted the following audit procedures:

1. Document any changes made to TRIP during the period April to June 2002;
2. Using the 2002-03 FTE list as the source, choose at random 53 employees. For the first employee thus chosen, the person's time sheet for Week One was selected; and for the second employee, the time sheet for Week Two was chosen. Repeat the procedure for the third to the 53rd employee.
3. For each of the 53 selected timesheets, perform the following:

¹ See "Audit of the Time Information Management (TIME) System", prepared for the National Energy Board by TRM Technologies Inc., October 15, 2004.

- a) ensure that employee and supervisor signed the timesheet (authorized) [From April to mid-June 2002, signatures were shown on hardcopies of weekly timesheets filed in Central Records. After TIME was put in effect, the history of timesheet submission and supervisor approval was traced to the “Manage Timesheet” area of TIME. Approval would be considered as late if the approval was dated more than two months after the hours worked.
- b) ensure that regular hours recorded do not exceed the standard amount of 7.5 hours (proper amount); and
- c) ensure that hours were coded to correct commodity codes (proper amount accumulated properly).

B. Reasonableness Analysis of 2002-03 Hours

To ensure that the hours recorded in TIME were reasonable, we examined the Commodity and the Time Type Reports for May 2002 and for the whole fiscal year. Total hours, hours directly charged to commodities, overhead, frontier and other codes were analyzed. The percentages derived from TIME for hours attributable to gas, oil and electricity as well as commodity pipelines were reviewed.

IV. RESULTS

The EDP-systems audit was performed by TRM during August and September 2004 and the report completed in October 2004. Building on the findings of the EDP-systems audit, testing of time records for 2002-03 and the reasonableness analysis were conducted in October 2004. The results of the latter are summarized in this section.

A. Testing of Time Records for 2002-03

i) Continuity of Time Information Management Systems

Based on the results of conducting the audit procedures described above, review of TRIP and TIME - related documents and discussion with NEB staff, it was determined that, the procedures and controls for TRIP during the April to June 2002 period were the same as those in place for the previous fiscal year. While there were concerns with increasing instability of TRIP, the importing of data from TRIP to TIME was timely, accurate and complete.

ii) Proper authorization, proper time amount and type and commodity code

As per audit procedure III.A.2 and 3, 53 individual weekly timesheets were selected and were tested for proper authorization, proper time amount and type, and proper commodity coding. The following exceptions were observed:

Observation	Number of Timesheets having the Observed Condition (out of the 53 examined)
Authorization not verifiable	2

In both cases, the TRIP timesheets for the two individuals for the April to June 2002 period were missing from the binders in the secured file storage area of the NEB. As well, the timesheets for the respective teams were not found. However, a review of the TRIP timesheet binders indicated that these were isolated cases. Furthermore, an analysis of the time records in TIME for the two individuals suggested that their hours were recorded in the proper amount, time type and codes.

iii) 2002-03 time reports do not contain hours from previous and subsequent fiscal years

By virtue of the systems controls built into TIME, all of the hours charged in the first and last weeks of FY 2002-03 were properly reported as 2002-03 hours and did not include any hours worked in the previous or subsequent fiscal years.

B. Reasonableness Analysis

The recorded hours and human resources employed for the three fiscal years commencing April 1, 2000 were as follows:

Fiscal Year	Total Hours	FTE*	Hours/FTE/week	Remarks
2002-03	612,237**	287.26	40.83	TIME implemented in June 2002
2001-02	552,458***	281.43	37.75	TRIP in place for the whole year
2000-01	566,540	277.8	39.21	TRIP in place for the whole year

* Actual Full time equivalent (FTE)

** As originally reported in the TIME Commodity Report

*** As reported in the internal audit report on TRIP for 2001-02, a significant number of authorized hours were not recorded in TRIP

At the NEB some employees report overtime and non-compensatory hours. One would therefore expect “hours per FTE per week” of over 37 ½ hours. For 2002-03, the calculated figure of 40.83 appeared to be inexplicably high.

In discussion with the TIME system administrator, it was determined that banked time taken and compensatory time off were counted twice in the TIME reports. In addition, leave without pay and marriage leave were accounted for incorrectly. The correct hours for 2002-03 should have been 586,920 hours. This resulted in “hours per FTE per week” of 39.14 for 2002-03. Compared with the 2000-01 figure of 39.21, it appeared to be reasonable.

To determine the reasonableness of the hours charged to the commodities, the hours directly reported in TIME were tabulated and compared to those reported 2000-01. They were as follows:

Time Type	2002-03		2000-01	
	Hours	%	Hours	%
Gas	180,263	31	174,045	31
Oil	62,125	11	74,830	13
Electricity	39,963	7	27,717	5
Frontier	24,669	4	29,643	5
Overhead **	276,672	47	257,796	46
Miscellaneous ***	3,229	<1	2,508	<1
Total	586,920	100	566,540	100

** Overhead hours are paid leaves and hours not specifically allocated to a commodity code.

*** Miscellaneous hours include commodity pipeline, NPA and Yukon hours.

Regarding frontier hours, a category that is not recoverable under *NEB Cost Recovery Regulations*, it is worth noting that in 2002-03 the reported hours represented the regular hours of 12.6 FTE employees.

With approximately 12 members of the Exploration and Production Team charging most of their hours to frontier activities, the hours equivalent to approximately one FTE that were charged to frontier activities by staff outside this team appeared reasonable. Frontier hours as a percentage of total hours stayed within the 4 to 5 percent range and appeared reasonable. We are therefore of the opinion that, there were no material under-reporting of hours that were not cost recoverable.

The hours directly charged to overhead have stayed in the 46 to 47 percentage point range in recent years. The substantial increase in electricity hours is consistent with the increased efforts involved in dealing with the controversial proceedings before the Board in 2002-03.

Overall, for 2002-03, the percentages of hours charged to the various time categories were very similar to those of the previous fiscal years. We are of the opinion that the percentages are within a zone of reasonableness that is acceptable for cost recovery purposes.

V. CONCLUSION

In view of the foregoing, we concluded that, the hours recorded in TIME for 2002-03 and charged to the commodities were reasonable and complete for cost recovery purposes. In our opinion, having conducted a systems audit of TIME, tests of a sample of time records for 2002-03 and a reasonableness analysis of employee time recorded in 2002-03, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the conclusion reached.